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DEPT FOR AF/W AND AF/EP
TREASURY FOR OIASA/EBARBER, RHALL

E.O. 12958: N/A

TAGS: [EFIN](#) [PGOV](#) [SG](#)

SUBJECT: LETTER TO SECRETARY OF TREASURY PAULSON FROM SENEGALESE
MINISTER OF ECONOMY AND FINANCE DIOP ON TRAINING TO CAPITALIZE BOND
ISSUANCES

REF: DAKAR 1987

¶1. (U) Embassy Dakar received a letter dated October 29 from
Senegalese Minister of State and Minister of Finance Abdoulaye Diop
for Secretary of Treasury Paulson asking that the Department of
Treasury support provide training and capacity-building on
techniques to capitalize on government bond issuances. The signed
French original will be sent via pouch to AF/W.

¶2. (U) Following is Embassy's informal translation of the letter to
Secretary Paulson from his Senegalese counterpart.

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Begin Text.

Republic of Senegal
Ministry of Finance and Economy
Minister of State
No. 01136/MEF/CAB
Dakar, October 29, 2007

Mr. Secretary

I would be grateful if your institution would examine the
possibility of providing training and capacity- building on Treasury
bond issuance techniques for the staff members of the Senegalese
Treasury department. We expect local staff members from the
Senegalese Department of Treasury to gain exposure to the American
experiences and practices in the organization, operation, and
intervention rules and modalities of financial markets.

The American financial market, apart from its size and growth
potential, offers the opportunity to better understand the new
financial products, and to raise the bar on best practices for our
bond issuance rules and strategies, and the management of public
shares.

As Senegal is among the main leading state actors within the West
African Economic and Monetary Union's (WAEMU) sub-regional financial
market, I wish to express my great interest for this training that
could contribute without doubt to the development of a national
expertise.

(Complementary Close)
Abdoulaye Diop

End Text.

POST CONTEXT AND COMMENT

13. (SBU) It is likely that Senegal is looking for assistance to further tap new avenues of financing to deal with a deteriorating economic situation. Recent Post reports have noted that the rapid increase of Senegal's budget deficit over the last two years (currently estimated at 8 percent of GDP or higher) is now becoming a serious concern to the Senegalese authorities and donors. As noted in Reftel, this year, Senegal successfully launched two bond offerings worth a total of USD 264 million to ease its current account deficit, and reportedly "replenish" its HIPC relief budget, which was a requirement for the recent signing of a new PSI with the IMF. The strong participation of commercial banks in Senegal's recent Treasury bill auctions, and the existence of approximately USD 2 billion in uninvested funds available within the West African Economic and Monetary Union's (WAEMU) financial market, has no doubt encouraged Senegalese authorities to plan for new issuances to finance the government's short-term and medium-term capital needs, including civil servants' salaries, payment of internal debt, and infrastructure projects. However, the IMF has privately noted that the two bond issuances this year are probably the most the GOS should pursue in the near term to avoid increasing the risk of return to a debt portfolio that is unsustainable.

SMITH